



Audit & Governance Committee
12 December 2018

**External Audit Update Report - Supplementary Value For
Money Findings Report 2017/18**

Purpose of the report:

This paper provides the Committee with a supplementary report issued by the Council's external auditors, Grant Thornton, on the Council's Value for Money arrangements.

Recommendations:

The Committee is asked to note the external auditor's supplementary report (Annex1).

Introduction:

1. Grant Thornton issued their Audit Finding Report, to this Committee, on 26 July 2018. The report set out the auditors' opinion on the financial statements of the Authority and is also required to issue a conclusion on the appropriateness of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (known as a Value for Money conclusion).
2. The Audit Findings Report issued an unqualified opinion on the financial statements, concluding that they gave a true and fair view of the financial position of the Authority at the 31 March 2018.
3. The Audit Findings Report also explained that, at the time of issue, no formal conclusion could be given on the Authority's value for money arrangements. Two risk areas had been identified which would be the focus of the value for money work. Grant Thornton had concluded their work in relation to Children's services but were at the time unable to conclude their work relating to financial health, as they were yet to receive a copy of either the terms of reference or final report of the CIPFA review being carried out at the same time.
4. On the 28 September 2018, having completed this work, Grant Thornton issued an adverse opinion on the Authority's value for money arrangements, concluding that they were not satisfied that, in all significant respects, the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

5. They identified the following issues:

- Children’s Services – a review of the May 2018 Ofsted report led Grant Thornton to conclude in July 2018 that the processes and procedures the Council has in place in relation to children’s services are not conducive to providing value for money for residents.
- Financial health - The Authority is drawing heavily on its reserves to balance its annual budgets and cannot set a sustainable budget with sufficient capacity to absorb emerging cost pressures with its current levels of income and funding. These matters are considered to be evidence of weaknesses in proper arrangements for securing sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions

Conclusions

6. The additional report, included in annex 1, is supplementary to the Audit Findings Report, issued on 26 July, and is intended to provide further information to this Committee on the basis for the auditors Value for Money conclusion, which was issued on 28 September and is attached as appendix 1.
7. The supplementary report summarises the additional work undertaken to support the value for money conclusion, specifically in regard to the Council’s financial health. The review considered the significant financial challenges facing the Council and the implications for the Council’s on-going financial position and plans to achieve financial sustainability.

Financial and value for money implications

8. There are no direct financial and value for money implications of this report not already included in the annex.

Equalities and Diversity Implications

9. There are no direct equalities implications of this report.

Risk Management Implications

10. There are no direct risk management implications of this report.

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